NEW BRUNSWICK
CROWN PEAT RESOURCE MANAGEMENT POLICY
1979

Open File Report 88-5

ISSN 0712-4562

Minerals and Energy Division
Department of Natural Resources and Energy
New Brunswick

$0.75

88-02204/

This report has been prepared by:

Minerals and Energy Division
Department of Natural Resources and Energy
New Brunswick

Hon. Morris Green, Minister

1988

NEW BRUNSWICK

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1988

Report No.: Open File Report
88-5

Author: New Brunswick
Department of Natural
Resources and Energy

Catalogue No.: ISSN 0712-4562

This report should be referenced in the following manner:

NEW BRUNSWICK DEPARTMENT OF NATURAL RESOURCES AND ENERGY. 1988. New Brunswick Crown peat resource management policy, 1979. Minerals and Energy Division, Open File Report 88-5, 9 p.

EDITORIAL NOTE

This policy was prepared in 1979. Although the background information is out-of-date, the basic policy and procedures have not changed. Proposed revisions to this policy are presently being considered.

Barbara M.W. Carroll
Geoscience Editor

February 15, 1988

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INTRODUCTION

Peat and peat moss in the Province are considered to be quarriable substances and thus are dealt with under the Quarriable Substances Act. By virtue of being defined as quarriable substances the rights to the "quarriable substances are vested in the owner of the land in or on which they lie." Thus, this management policy deals only with peat and peat moss on Crown lands.

BACKGROUND

In 1972, following a period of rapid expansion in the number of peat moss producers, the Province, through the Community Improvement Corporation and under the F.R.E.D. agreements, commissioned consultants to undertake a detailed investigation of the industry. The investigation was a response to industry financial problems brought on by over-capacity. The studies concluded that the royalty and land rental system had in large part been responsible for the situation.

In August, 1975, an inventory of provincial peatlands based on airphoto analysis was completed by the firm, Airphoto Analysis Associates Consultants Limited. Subsequently, the Province has accelerated its detailed field inventory of peatland under the General Development Agreement. Initial emphasis was in the northeast and the Department of Natural Resources has completed all peatlands along the eastern portion of the Province.

The recent interest in peat has been partly the result of the rapid increase in oil prices since 1973. Peat is a major fuel for the generation of electricity in both Ireland and Russia. In North America, the primary use is as a soil conditioner. Other uses are: in manufacturing of insulation board, as a filter medium, for absorbing spilled oil, manufacture of peat coke, activated carbon and certain chemicals, and manufacture of fibre pots and pellets. A potential use, especially important because of the soaring costs of energy, is the distilling of wood alcohol from peat. This could be used as a fuel additive or substitute.

PROBLEMS WITH PREVIOUS SYSTEMS

The lease rental charge ($0.05/acre/year) was such that operators within the peat industry were permitted to hold and under-utilize large tracts of Crown peatland. The hoarding

of the resource, combined with the lack of a commitment to suitable development and harvesting plans, had to be changed if the resource was to be managed for the long-term benefit of the Province. At the same time, the royalties were extremely low when compared to the value of the resource or the national average.

In the past, expansion of the industry in New Brunswick outpaced general market growth and resulted in many of the producers encountering financial difficulties. Several sought and received financial assistance from Government. The possibility that such assistance would be available, in part, resulted in continued pressure from hopeful entrants into the business. The peatland currently under lease is capable of yielding larger annual harvests but the rate of expansion is dependent upon individual company finances. In the past four years market demand has approached or exceeded supply. Large reserves of unleased peatland with comparable quality exist throughout the Province.

The unit cost of peat production could be lowered with more mechanization and a larger scale of operation. However, such an increase in scale must be based on an increased market availability, a marketing capability and sufficient cash flow. The large number of small producers competing for the available market has limited the investment in equipment necessary to minimize unit costs, and hence improve the competitive position of New Brunswick versus Quebec in the eastern North American market.

The existing peat moss industry of northeastern New Brunswick provides direct, but seasonal (140-700), employment in the harvesting of the resource and indirect employment through manufacturing of peat pots and servicing of harvesting equipment. The total direct payroll is estimated to be $3.8 million. F.O.B. plant value of production was estimated in 1979 to be $10,048 million (Statistics Canada). The product is almost totally used for horticultural purposes. The number of firms in production increased from 1 to 5 between 1940 and 1963 and to 9 by 1976. Since 1976 there have been 3 new ones and approximately 12 additional applicants. A total of 17,272 are presently under lease with approximately 9,400 acres under production which represents 55% of the total acreage leased. The industry is characterized by three large efficient operators, facing low unit costs of production. The remaining producers generally have higher unit costs of production and are faced with comparable or lower selling prices for their products.

Markets for peat in the United States had remained at practically the same level up to 1975 because of competition from materials such as straw, tree bark and other fibrous plant materials which can be used as a mulch. Because peat has a superior water-holding capacity, as high as 8 to 10 times its own weight, and can generally be supplied at a similar

delivered price, little further substitution is expected. While a demand in the United States was forecasted to increase at an annual average rate of 3.2 per cent, commercial sales of peat in the United States in 1976 were 27 per cent above 1975. In 1976, peat imported to the United States represented 26 per cent of the total peat sales. Canada accounts for 97 per cent of the total peat imported to the United States. If the current trend continues, demand will exceed current New Brunswick production capabilities to supply the U.S. market. There is also an offshore market demand materializing for peat moss.

OBJECTIVES OF THE POLICY

The policy is intended to achieve the following objectives:

a) to ensure that the resource makes a maximum contribution to the long-term economic development objectives of the Province;

b) simplicity of administration of tenure and collection of revenue;

c) peat production from freehold as well as Crown land;

d) operation in a manner which will not jeopardize future utilization or rehabilitation.

POLICY

1) Eligibility to Lease Peatland

Before an application for a peat lease will be considered, the applicant must provide assurance that the amount and quality of peat in the proposed lease area is known and that the peat would be developed and harvested according to an acceptable plan. Accordingly, the applicant for a lease is required to obtain and fulfill the conditions of a peatland exploration licence. Such a licence will:

a) be renewable annually for a maximum of three years providing the applicant submits evidence of $1.25/hectare ($0.50/acre) expenditure for the first year and $2.50/hectare ($1.00/acre) for the second and third year or on payment in lieu of this expenditure or the shortfall in expenditure; and

b) authorize the holder to evaluate that peatland within one designated area of not more than 800 hectares (approximately 2,000 acres).

Applications will be considered only if accompanied by:

i) an application fee of $100;

ii) an outline of the exploration proposed;
iii) sufficient data on the applicant's financial capability and marketing plan to permit the Department of Commerce and Development to make an assessment of the possible impact on any existing N.B. producers, and, advise D.N.R. on the ability of the applicant to finance the proposed exploration and development.

The peatland exploration licence will be granted only if:

a) the applicant has no other peatland exploration licence or has relinquished any exploration licence in effect;

b) the harvesting from the proposed area would not jeopardize the future availability of peat for an existing lease-holder, either adjacent to or in the area;

c) the Department of Commerce and Development advises D.N.R. that the applicant has given satisfactory evidence of capability to finance the envisaged development and market the product without jeopardizing the existing N.B. industry.

All exploration survey data obtained under the licence or by the licencee will be submitted to the Department of Natural Resources on surrender of the licence. This data will be kept in public files unless it is submitted by a licencee who is subsequently granted a lease, in which case the data will be kept confidential for five years from the date of issuance of the lease.

2) Peat Production Lease

a) Qualification:

In order to qualify for a production lease the exploration licencee must have fulfilled the requirements under the peatland exploration licence in a manner acceptable to the Department. The data obtained under the licence will form the basis of the supporting documentation of a lease application which must contain the following and be accompanied by an application fee of $25.00 and a security deposit (see (d) below):

i) a survey of the boundary of the proposed lease area by a registered N.B. land surveyor;

ii) profiles of the peat bog surveyed for location and elevation and providing peat type, depth, bottom soil conditions, as required by the exploration licence;

iii) a drainage plan;

iv) a harvesting plan;

v) a plan of anticipated future expansion, and

vi) a plan for abandonment of the bog on cessation of production.

b) Term:

The term of leases will be for ten years with provision for renewal in 10-year periods providing there had been continuous production at a minimum rate of 10,000 bales or bale equivalents per year during the final three years of the lease period and at least a total of five years of production at the same minimum rate during the term of the lease, and, other conditions of the lease have been met.

c) Size of Leases:

Leases are not to exceed 250 hectares (618 acres) unless warranted on the basis of bog configuration, drainage and resource utilization considerations. In any case, the Department of Natural Resources will provide, if so required by the lessee, a negotiable, time-limited (maximum ten years from issuance of lease) first option on a buffer area, the actual size and shape of which will depend on bog configuration, drainage characteristics and management needs. This will ensure the producer of a long term supply and the opportunity of expansion. It will be subject to review and possible cancellation on failure to comply with the approved development plan. The annual option fee will be half the area rental rate for a lease.

d) Security Deposit - Performance Bond:

In order to ensure compliance with production and abandonment plans, lease applications will be considered only if accompanied by a security deposit of $2,000 payable to the Minister of Finance and in any of the following forms:

i) cash;

ii) negotiable bearer bonds of the Government of Canada of the Province of New Brunswick;

iii) term savings certificates of term deposits issued by a Canadian chartered bank and assigned as to principal to the Minister of Finance;

iv) certified cheque.

A reclamation surcharge on royalty will be payable at the rate of 0.5¢/bale equivalent until an additional $3,000 (or a total of $5,000) is accumulated per 250 hectares of leased area. The lessee will have the option of paying the entire deposit in advance of obtaining the lease.

On abandonment of leases in a satisfactory state, the deposit will be returned exclusive of interest.

e) Rental Fees for Leased Area:

The annual rental fee for leased peatland will be $1.00 per acre or $2.50 per hectare.

f) Existing Leases:

Existing leases or leases issued before October 1, 1977 will on expiry be renewed in their existing configuration for 10-year periods subject to compliance with the requirement for submitting acceptable drainage, harvesting and abandonment plans. The security deposit and land rental fee will be required on renewal of existing leases or beginning in 1980, whichever is earlier.

3) Royalty

The royalty under the new policy is based on quantity of production in order to ensure that it does not become a charge on efficiency and to maximize simplicity of administration. The rate will be increased over a period of years to minimize the impact on producers and to maintain the competitive position of N.B. with respect to other provinces faced with lower transportation costs to the market. In 1980 the rate will be 2¢/bale equivalent* produced. There will be an increase of 1¢/bale in each subsequent year until the rate reaches 5¢/bale in the fourth year.

*Bale Equivalent: For this purpose is based on the present six cubic foot bale where the raw peat at approximately 50% moisture content is compressed 2:1.

APPENDIX I

INFORMATION CONCERNING THE ACQUISITION OF

RIGHTS TO PEAT OR PEAT MOSS ON CROWN LANDS

(This is prepared for the purpose of convenience only).

The process for making application is as follows:

(1) Application on the form depicted in Appendix II is made to the Unit Ranger in the area where the peat bog is situated;

(2) The Unit Ranger will evaluate the application and making his recommendations to the Regional Resources Manager;

(3) The Regional Resource Manager will evaluate the application relative to the regional personnel and forward it with recommendations to the Mineral Resources Branch in Fredericton;

(4) The Fredericton office will then process the application within the constraints of the peat policy as set out in the document;

(5) Providing all submissions and requirements have been fulfilled and are satisfactory, the Minister may issue an Exploration Licence;

(6) The issuance of an exploration licence allows the licencee up to three years to fulfill his obligations required by the licence. The licencee may make application for a lease at any time up to the expiration of the licence so long as all provisions have been satisfactorily fulfilled.

Appendix II. Example of Application Form

QUARRY APPLICATION

☐ PERMIT ☐ LEASE

DEPARTMENT OF NATURAL RESOURCES AND ENERGY

60-1288 (1/00)

DEMANDE RELATIVE À UNE CARRIÈRE

☐ PERMIS ☐ CONCESSION

MINISTÈRE DES RESSOURCES NATURELLES ET DE L'ÉNERGIE

Name of Applicant / Nom du requérant _____ Contact Person / Personne-ressource _____

Address in full / Adresse complète _____

Postal Code / Code postal _____ Telephone: Business / Téléphone: Bureau _____ Home / Domicile _____

Area applied for: / Zone faisant l'objet de la demande: County / Comté _____ Parish / Paroisse _____

Airphoto / Photo aérienne n° _____ Ranger District No. / District forestier n° _____ Grant Reference Plan / Carte de référence des concessions _____ (attach portion) (partie annexée)

MATERIAL / MATÉRIAU

1. ☐ Sand / Sable ☐ Gravel / Gravier ☐ Stone / Pierre ☐ Other / Autre _____
2. Quantity required / Quantité requise _____ Contract or Job No. / Contrat ou projet n° _____
3. Will the material be / Le matériau sera-t-il ☐ Screened / criblé ☐ Crushed / concassé ☐ Washed / nettoyé ☐ Chemically treated or otherwise processed / traité chimiquement ou par un autre processus
   on site / sur les lieux ☐ Yes / Oui ☐ No / Non Indicate location / Indiquer l'emplacement _____
4. Proposed use of material / Utilisation prévue pour le matériau _____
5. ☐ New pit or quarry / Nouvelle mine ou carrière ☐ Existing pit or quarry / Mine ou carrière déjà existante Previous permit no. / N° du permis précédent _____

SITE / SITE

1. Forested / Boisé ☐ Yes / Oui ☐ No / Non Depth of Overburden / Profondeur de la couverture de dépôts meubles _____ metres / mètres Distance to nearest watercourse / Distance du cours d'eau le plus près _____ metres / mètres
2. Distance to nearest road / Distance de la route la plus près _____ metres / mètres ☐ Public / Publique ☐ Private / Privée
3. If licensed road / Si route d'un titulaire de permis ☐ Forest / forestière ☐ Logging / de débusquage Licensee / Titulaire _____
4. If private, has permission for access been obtained? / Si route privée, la permission de circuler a-t-elle été obtenue? ☐ Yes / Oui ☐ No / Non (Note: Road user fee may be charged by licensee.) (Remarque: Des droits de passage peuvent être exigés par un titulaire de permis.)

EXTRACTION

1. Months of your extraction will occur

EXTRACTION

1. L'extraction se fera au cours des mois de

2. Will blasting be required? / Sera-t-il nécessaire de procéder à du dynamitage? ☐ Yes / Oui ☐ No / Non
   (Blasting requires a permit from N.B. Occupational Health and Safety Commission) / (Toute activité de dynamitage exige l'obtention d'un permis de la Commission de l'hygiène et de la sécurité au travail du N.-B.)
3. Will material be stockpiled? / Le matériau sera-t-il empilé? ☐ Yes / Oui ☐ No / Non
   (Operator may be required to submit stockpile inventory) / (L'exploitant peut avoir à soumettre un inventaire des matériaux empilés.)
4. Will extraction be subject to municipal by-laws? / L'extraction sera-t-elle assujettie à des règlements municipaux? ☐ Yes / Oui ☐ No / Non
   (Extraction inside boundaries of incorporated areas may be controlled.) / (L'extraction prenant place à l'intérieur des limites d'une zone constituée en municipalité peut être assujettie à des contrôles.)
5. Will extraction require surface or subsurface drainage, or occur within 30 metres of any watercourse? / L'extraction exigera-t-elle un drainage superficiel ou souterrain, ou aura-t-elle lieu à moins de 30 mètres d'un cours d'eau? ☐ Yes / Oui ☐ No / Non
   (If yes, permit under Watercourse Alteration Regulations of Clean Environment Act is required.) / (Dans l'affirmative, un permis délivré en vertu du Règlement sur la modification des cours d'eau établi en vertu de la Loi sur l'assainissement de l'environnement est nécessaire.)
6. Will material be removed from ocean-front property? / Le matériau sera-t-il extrait d'une propriété côtière? ☐ Yes / Oui ☐ No / Non
   (Ocean-front property includes all land within 300 metres of the ordinary high water mark regardless of ownership.) / (Tout terrain situé à 300 mètres ou moins de la ligne habituelle de marée haute est une propriété côtière, peu importe qui en est le propriétaire).
7. Will material be removed from below the ground water table? / Le matériau sera-t-il extrait sous la surface piézométrique? ☐ Yes / Oui ☐ No / Non
8. Method of Extraction _____ Mode d'extraction _____

Application fee (non-refundable) / Frais d'ouverture de la demande (non remboursables) Amount / Montant $ _____ Receipt No. / Reçu n° _____

I hereby agree to comply with all conditions of any permit or lease. / Je, soussigné, m'engage par la présente à me conformer à toutes les conditions de tout permis ou de toute concession.

Date _____ 19____ Signature of Applicant / Signature du requérant _____

Regional Biologist Report / Rapport du biologiste régional ☐ Attached / Annexé ☐ Unnecessary / Inutile

Regional Forester Report / Rapport du forestier régional ☐ Attached / Annexé ☐ Unnecessary / Inutile

_____ District Forest Ranger - attach comments / Garde forestier de district - commentaires annexés

_____ Regional Resource Manager - attach comments / Aménagiste régional des ressources - commentaires annexés

White / Blanc Natural Resources and Energy / Ministère des Ressources naturelles et de l'Énergie

Pink / Rose District Forest Ranger / Garde forestier de district

Canary / Jaune Regional Resource Manager / Aménagiste régional des ressources